

## Message Text

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63

ACTION EUR-25

INFO OCT-01 AID-20 CEA-02 CIAE-00 COME-00 EB-11 EA-11

FRB-02 INR-09 IO-12 NEA-10 NSAE-00 RSC-01 OPIC-12

TRSE-00 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 AGR-20

DODE-00 H-02 INT-08 L-03 NSC-10 PA-03 SS-14 STR-08

TAR-02 USIA-12 PRS-01 ADP-00 RSR-01 /211 W

----- 075170

R 161730 Z MAR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 4881

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS UNN

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PASS AGRICULTURE

E. O. 11652: NA

TAGS: EAGR EEC

SUBJECT: 1973/74 CAP PRICES

1. ON MARCH 14, DURING A MEETING HELD IN STRASBOURG, WHERE THE COMMISSIONERS ALSO ATTENDED A SESSION OF THE EUROPEAN PARLIAMENT, THE EC COMMISSION HAD A LONG DISCUSSION ON THE 1973/74 CAP PRICES. THE COMMISSION IS SUPPOSED TO FINALIZE ITS IDEAS ON THIS SUBJECT BY MARCH 20, WHEN IT IS EXPECTED

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TO SUBMIT FORMAL PRICE PROPOSALS TO THE COUNCIL.

2. ACCORDING TO OUR INFORMATION A CERTAIN CONSENSUS HAS BEEN REACHED IN THIS MEETING TO THE EFFECT THAT THE COMMISSION WOULD TRY TO CHANGE PRICES WITHOUT REALLY RAISING THEM IN ALL MEMBER STATES. THE REASONING IS REPORTEDLY AS FOLLOWS: SINCE UNDER THE NEW AGREEMENT FOR JOINT FLOATING BY, AND FIXED EXCHANGE RATES AMONG, SIC MEMBER STATES ( FRG, BENELUX, FRANCE AND DENMARK), THE CAP PRICES EXPRESSED IN NATIONAL CURRENCIES WOULD FURTHER DEVIATE FROM THE PRICES EXPRESSED IN UNITS OF ACCOUNT, THE PRICES IN UNITS OF ACCOUNT SHOULD BE INCREASED BY THE RATE OF APPRECIATION OF THE BENELUX CURRENCIES RELATIVE TO THEIR PREVIOUSLY ESTABLISHED CENTRAL RATE. THIS WOULD MEAN THAT THE CAP PRICES IN THE BENELUX COUNTRIES AND GERMANY WOULD REMAIN UNCHANGED, BUT THAT THEY WOULD RISE IN FRANCE ( WHOSE CURRENCY IS EXPECTED NOT TO APPRECIATE) AND IN ITALY ( WHOSE CURRENCY HAS DEPRECIATED RELATIVE TO THE UNIT OF ACCOUNT). IT IS NOT CLEAR WHAT WOULD HAPPEN IN THIS CASE IN THE U. K. AND IRELAND. IN DENMARK THOSE PRICES WHICH ARE ALREADY AT THE COMMON PRICE LEVEL WOULD PRESUMABLY REMAIN UNCHANGED, AND THOSE STILL BELOW THE COMMON PRICE LEVEL WOULD RISE.

3. WE ALSO LEARNED THAT ERTL WOULD BE AGREEABLE TO SUCH A SCHEME. HOWEVER, ERTL TOLD ONE OF OUR INTERLOCUTORS THAT PUBLICLY HE WOULD HAVE TO OPPOSE SUCH A PROCEDURE. HOWEVER, HE HOPES THAT HE COULD NEVERTHELESS GAIN CERTAIN PRICE ADVANTAGES FOR THE GERMAN FARMERS BY PRESSURING THE GERMAN GOVERNMENT TO REDUCE THE TVA ON FARM PRODUCTS.

4. THERE IS ALSO A RUMOR CIRCULATING IN BRUSSELS THAT THE COMMISSIONERS INTEND TO POSTPONE THE DECISION ON CAP PRICES TO THE FALL ON THE PRETEXT THAT THE SCHEME OUTLINED ABOVE CANNOT BE PRESENTLY IMPLEMENTED BUT MUST AWAIT A SETTLEMENT OF THE MONETARY CRISIS.

GREENWALD

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 MAR 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** hilburpw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973ECBRU01439  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
**Film Number:** n/a  
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**Line Count:** 104  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** hilburpw  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02-Aug-2001 by maustmc>; APPROVED <07-Aug-2001 by hilburpw>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 971217  
**Subject:** 1973/74 CAP PRICES  
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**To:** BONN  
BRUSSELS  
COPENHAGEN  
DUBLIN  
EUR  
LONDON  
LUXEMBOURG

SECSTATE WASHDC

THE HAGUE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005